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~~(Security Classification)~~

COPY NO. 1872-82 SERIES A

DESP. NO.

December 5, 1956

REF: Mytels 241-251 of November 26, 1956, from Dhahran.

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SUBJECT: Audience with King Saud of November 23, 1956, and ensuing discussions.

Supplementing my substantive reports, submitted by the reference telegrams, I enclose carefully edited memorandum-records of the conversations on which they were based, namely:

- 1) With King Saud, November 23,
- 2) With Prince Faisal, November 24, and
- 3) With Defense Minister Prince Mishaal, Royal Counselor Khalid and Finance Minister Surur, November 24.

These will, I venture to believe, bear full reading in the Department. His Majesty's words, to be fully appreciated, can often best be read in full context. Prince Faisal's counsel as to how we might best conceive a long-term course designed to counter growing Russian influence throughout the area is an interesting reflection of his basic political philosophy. And my third-listed discussion sheds interesting new light on Saudi financing and defense thinking in the present crisis.

I would add a word of special appreciation for the willing assistance given me during my current stay in Dhahran by Consul General Carrigan and his staff. I leave this afternoon for my third visit to Riyadh within the month.

George Wadsworth

Enclosures:

Three, as stated

Copies:

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EDITED RECORD OF FORMAL AUDIENCE

WITH HIS MAJESTY KING SAUD AT RIYADH, NOVEMBER 23, 1956

PARTICIPANTS:

His Majesty King Saud
Crown Prince Faisal
Royal Counselor Khalid Bey
Royal Counselor Jamal Bey
Ambassador Wadsworth

Interpreter: Mohamed Massoud, Embassy Arab Consultant

Recorders: Majid Effendi; Vice Consul James Farrell

SUBJECTS:

- 1) President Eisenhower's Message of November 16
- 2) Suez Crisis and Redistribution of Oil
- 3) Hungary and Self-Determination
- 4) Beirut and Damascus Meetings; Baghdad Pact
- 5) Situation in Syria and Jordan
- 6) Visit of Pakistan President and Saudi-Turk Relations

After compliments:

- 1) President Eisenhower's Message of November 16

AMBASSADOR: I have come this time to see Your Majesty with what I have high hope will be a most welcome letter from my President, and also with a message from Mr. Dulles thanking Your Majesty for your kind inquiry as to his health. I have, too, several instructions from my Government which follow up certain of the subjects mentioned in the President's letter—notably the Suez crisis itself and the related question of the redistribution of oil throughout the world, and the question of Hungary and allied questions regarding self-determination which have been raised before the United Nations.

Finally, I hope Your Majesty will tell me something further regarding the recent Beirut and Damascus Meetings and what appear to be the somewhat related discussions regarding the Baghdad Pact. My Government would like Your Majesty to know how it is thinking about some of these problems, and would welcome Your Majesty's counsel.

I will be happy to discuss any of these matters in detail with Prince Faisal or Khalid. I am in Your Majesty's hands. Would Your Majesty like me to continue?

HIS MAJESTY: Yes.

AMBASSADOR: Your Majesty has read the President's letter.

HIS MAJESTY: Yes.

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AMBASSADOR: There Your Majesty will, I feel sure, find reassurance that the President and my Government are striving earnestly to bring about full implementation of the resolutions of the United Nations. That letter is dated the sixteenth of November. Five days later I received a telegram directing me to assure Your Majesty inter alia that "we will continue most strenuously to back UN efforts to achieve implementation of UN resolutions and withdrawal of British, French and Israeli troops as soon as the UN force is effectively installed in Egypt."

2) Suez Crisis and Redistribution of Oil

In the meantime we have found that we have a great problem to meet in the need for redistributing much of the world's oil supplies. America must play a leading role in this picture. We consume nine million of the 15 million barrels of oil consumed daily in the free world; and we are the largest single importing country.

The Suez crisis has resulted in the closing of the canal and the IPC pipelines. This means that two million barrels of oil per day must be delivered to consumers through some other channels, for those that went through the pipeline are lost, and those that passed through the canal must be sent around South Africa or replaced from other sources of production.

HIS MAJESTY: Did you know that the Lebanese have blown up the pipeline near Tripoli?

AMBASSADOR: (Yes, Your Majesty; that again was the IPC pipeline.)

As for Persian Gulf oil, it is impossible to find enough tankers to carry all of the oil formerly shipped from these sources to Europe. This would require twice as many tankers as were formerly in this service, because of the greatly lengthened voyage time. Fortunately, we can draw more oil from Venezuela and the Caribbean, whence the haul is only half as long. Therefore, if we are to supply Europe we must take tankers from the Persian Gulf run and place them in service between Europe and the Caribbean. We will also have to increase Venezuelan production and our own production in the United States. That, unhappily, will draw on our reserves, but we feel we must do our share.

To meet this world problem my Government has a plan. One to two months, probably, will be required for the plan to take effect. In the meantime there will be suffering as a result of oil shortages. But when the plan is working we should be able again to supply most of the world needs for the six months or perhaps longer needed to open the canal and repair the pipeline.

My Government's plan calls for two things:

First, a pooling of the resources of the fifteen American oil companies that engage in production, refining, distribution and marketing, that is, in all aspects of the international oil business. We hope to arrange that, in the interest of efficiency, they will work as one agency.

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Second, this group of companies will work through two committees: one for Western Europe, and the other for the Middle East and this part of the world.

The committee concerned with Western Europe will deal with and through the OEEC (Organization for European Economic Cooperation). It will try to meet the minimum needs of our European friends during this emergency period.

It is my understanding that all but two of these European countries voted with us in the UN. We want particularly to meet their needs. It is in our common interest that this be done.

As for Britain and France, we recognize that the dilemma in which they find themselves is of their own making and results from their actions against Egypt. They are suffering for this today. They will, we assume, have complied with the UN resolutions and be out of the Canal Zone before our plan can be brought into effect.

With regard to the second area of the world, especially the Near East, I have several important things to tell Your Majesty. One is that the second committee to be set up under our plan would locate the necessary oil supplies and endeavor to see to it that they get to the countries of this area.

For example, how would Syrian needs be met? This is a question in which Your Majesty has already expressed interest. We are thinking of encouraging the companies to refine maximum quantities of TAPLINE oil at the refineries at Sidon and Tripoli, whose facilities can handle 20,000 barrels a day. The total needs of Lebanon, Syria and Jordan for refined products, I am told, do not exceed 30,000 barrels a day. The shortage could be brought by tanker.

There is no similar problem in Iraq or Iran, or in the Persian Gulf or in Saudi Arabia, each of which has ample domestic refining capacity.

As for Egypt, Your Majesty has already raised the question of shipments from here to the refinery at Suez. That is a relatively simple matter if the necessary tankers are made available. There is, moreover, another refinery at Cairo which, I am told, was scheduled to begin operating in December. If these two refineries are running in Egypt, they should be able to meet Egypt's needs for refined products. And, if for any reason the second Egyptian refinery does not open on schedule, then we would have to try to do for Egypt what is proposed for Lebanon, Syria and Jordan, namely, ship in essential quantities by tanker.

Briefly, then, those are the major points regarding the supply of oil to the Middle East in which I thought Your Majesty would be interested. My Government's plan is that the second committee work to provide the essential needs of this part of the world, as soon as the plan can be put into operation.

Now I come to a matter of great importance to Saudi Arabia. I am to assure Your Majesty that, in the work of this committee, the interests of Saudi Arabia would be viewed in common with those of the United States. They would be kept uppermost in mind in our effort to solve this problem to the best of our ability.

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The last Near Eastern country which should suffer as a result of the Suez crisis is Saudi Arabia. Accordingly, we will do our utmost to minimize the economic loss to Saudi Arabia.

In this connection let me explain that before the Suez Canal was closed, about 1,500,000 barrels of oil passed daily through the Canal from the Persian Gulf to Europe and the West. If there were enough tankers in existence, this same amount of oil could be carried to its destination around Africa; but there simply aren't enough tankers to do this.

Because of the greater distances involved, if the companies were to keep the same number of tankers in this Persian Gulf service, they would carry little more than half as much oil to the world market. That, I suppose, is the most one can hope for. It would mean, of course, considerable cutback in Persian Gulf production.

It is, then, in this connection, both politically and practically, that I have been happy to bring Your Majesty the assurance that, in view of our wide range of common interests, we shall keep Saudi Arabia's interests uppermost in mind. I would interpret this to mean that, when it is determined which countries must reduce their oil production, we will use our best effort to minimize loss in revenue to Saudi Arabia.

Now, the details of the Saudi Arabian production problem are not for me to discuss. Mr. Davies is coming to see Your Majesty tomorrow, and I feel sure he will be able to provide Your Majesty with full information.

What my Government, in effect, asks is that Your Majesty trust us in our efforts towards solving this problem, and that you will accept my Government's assurance that Saudi interests will be given every possible consideration. If, after your talk with Mr. Davies, Your Majesty has any questions which you might wish me to put to my Government, I should be happy to do so.

HIS MAJESTY: This plan will not be put into effect before the withdrawal of British and French forces from Suez?

AMBASSADOR: As I see it, Your Majesty, it cannot be put into effect before they leave. Here, we are not considering British-French interests, but Your Majesty's interests. It will require several weeks at least to implement our plan. The British and French forces should be out of Suez before that time.

AMBASSADOR: This confirms my belief that Your Majesty has from the

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beginning viewed this problem from both its political and its economic aspects.

3) Hungary and Self-Determination

Now, with Your Majesty's permission, I should like to talk for a moment about Hungary. I am under special instructions received shortly after the President's letter to Your Majesty which also raised the question.

It was just one month ago today, Your Majesty, that the students and intellectuals in Budapest rose against the Communist government of Hungary. The revolt spread like wildfire to the workingmen, the peasants, and even to the army. They expelled Gero, the Russian-controlled prime minister, and installed a Titoist prime minister, Nagy.

At first it appeared that this would lead to the establishment of a regime similar to that of Yugoslavia, that is, a socialist state existing independently of the Soviet Union. But this was not satisfactory to Moscow. Russia has sent its troops to suppress the movement for freedom and independence, expelled Nagy, and installed Kadar at the head of a new puppet government.

Strikes and both active and passive resistance have, however, continued. We are told it is certain that 60,000 or more Hungarians have been killed, while about the same number have escaped to Austria as refugees.

The UN is considering this problem at the same time that it is considering the problem of Suez. The same countries, which voted for a British, French and Israeli withdrawal from Suez and Sinai are voting that the Hungarians should have their freedom.

When my President wrote in his letter that he hoped to have Your Majesty's support for the UN resolution on Hungary, he hoped, I believe, that Your Majesty's Government would vote for the withdrawal of Russian troops from Hungary. Now, that vote has been taken, and Saudi Arabia with other Arab states abstained.

One can understand why. But I believe that the passage in the President's letter regarding Hungary is as pertinent today as it was before the vote was taken. For we hope now to have Your Majesty's support in carrying out the resolution on Hungary just as we hope to have it in carrying out the evacuation of foreign troops from Suez and the Sinai Peninsula.

In asking me to seek Your Majesty's support for the UN resolution, my Government's instructions contained a dramatic sentence stressing the contrast in Russian attitudes in the Near East and in Hungary: In the Near East, Russia poses as an ardent advocate of peace and "independence;" in Hungary it uses naked force and represses freedom and independence. Your Majesty will appreciate the contradiction between Russia's questionable promises to the Near East and the fact of Russian military and economic oppression in Hungary.

This leads me to the more general question of self-determination, which in a broader sense is before the UN in the current session. We see this question

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in connection with Egypt, Hungary, Cyprus and Algeria. All four of these immediately acute situations are now before the UN General Assembly, which must also deal with three important basic resolutions submitted by the UN Commission on Human Rights. I should like, with Your Majesty's approval, to discuss with Khalid or Prince Faisal the technical aspects of my Government's position on these resolutions.

4) Beirut and Damascus Meetings; Baghdad Pact

AMBASSADOR: My last point concerns the political situation in the Arab countries today.

Even before the Beirut and Damascus meetings there was an important meeting in Tehran of the four Moslem countries that were signatories of the Baghdad Pact. I assume that King Faisal spoke of this to Your Majesty in Beirut; and following the meetings in Beirut and Damascus, the President of Pakistan again discussed this matter with representatives of the members of the Baghdad Pact and with Your Majesty.

HIS MAJESTY: King Faisal did not discuss this subject.

AMBASSADOR: Was it Bashayan?

HIS MAJESTY: Yes, Bashayan and Baban.

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AMBASSADOR: We are under new and considerable pressure from the four Moslem members of the Baghdad Pact to lend them greater assistance or even to join the Pact.

I have often told Your Majesty and Prince Faisal that my Government has always supported the military and strategic concept behind the Baghdad Pact, the concept of the "Northern Tier." The political aspects of the Pact have long troubled us. We have therefore continued to avoid a closer connection with it.

I spoke with Yusuf last spring, when there was a flux of pressure similar to the present one. I asked, "Yusuf, is there any way in which the United States can use its influence to make the political aspects of the Pact less objectionable?" It seemed to us both that American influence among the Moslem members of the Pact would reach its maximum when these members most wanted us to join. That day appears to have come.

What, Your Majesty, can we do to shape and guide the Pact in its political aspects? We will continue to support its military aspects. We would appreciate Your Majesty's counsel with regard to the troubling position in which we are placed today.

That is the end of my story, Your Majesty.

AMBASSADOR: Your Majesty has implied that, if the United States were now

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to join the Baghdad Pact, its action would engender the formation of another pact with Russia as a member. If, then, we do not join the Pact, is it Your Majesty's view that our abstention would deter other countries—Syria, Jordan and Egypt, I suppose—from forming such a pact with Russia?

AMBASSADOR: I thank Your Majesty very much for this advice.

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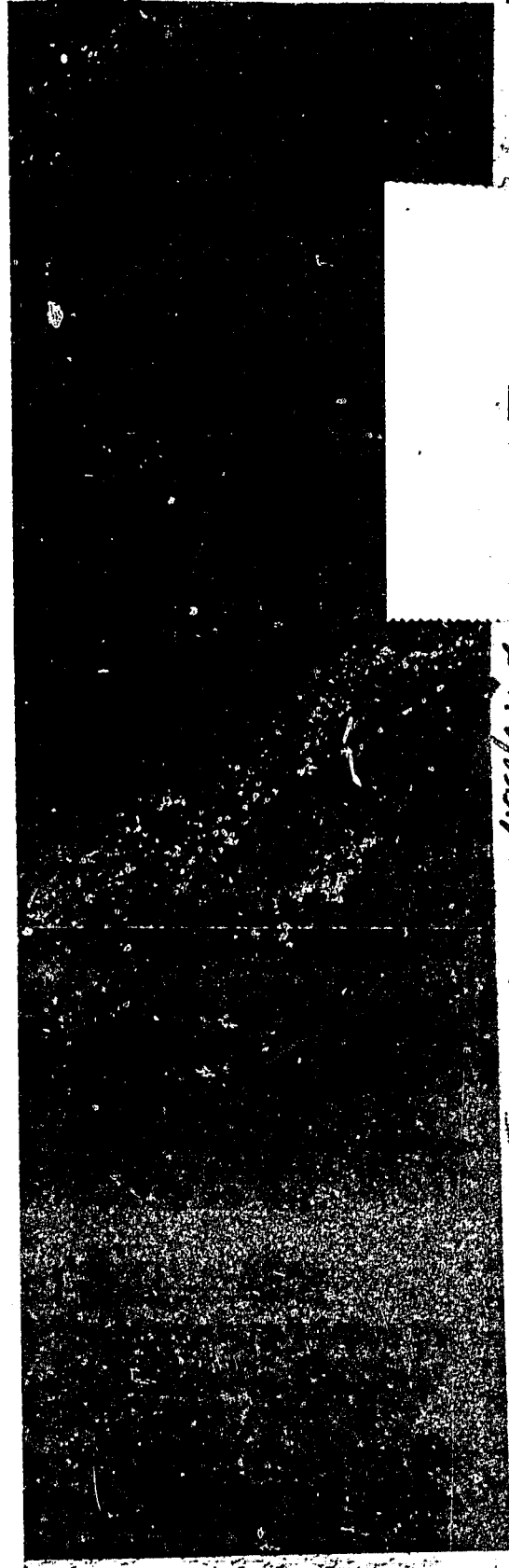
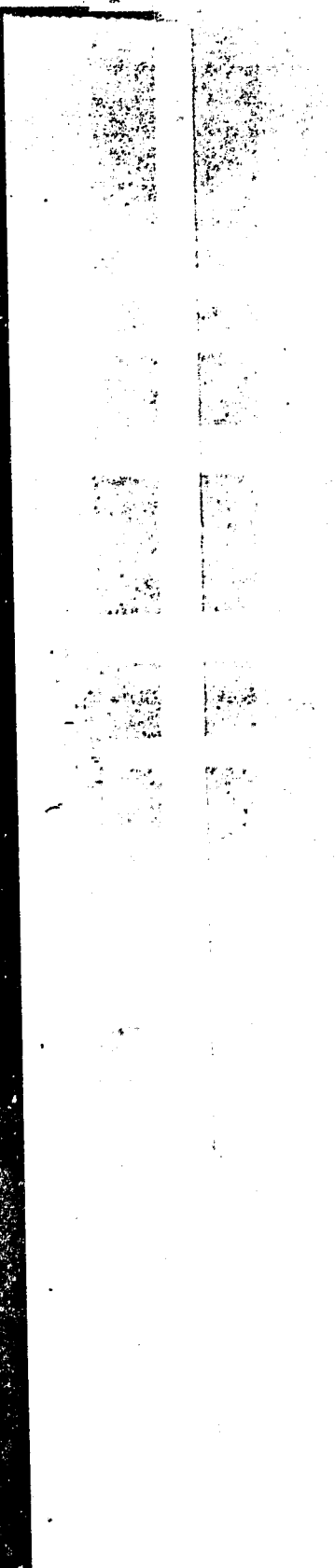
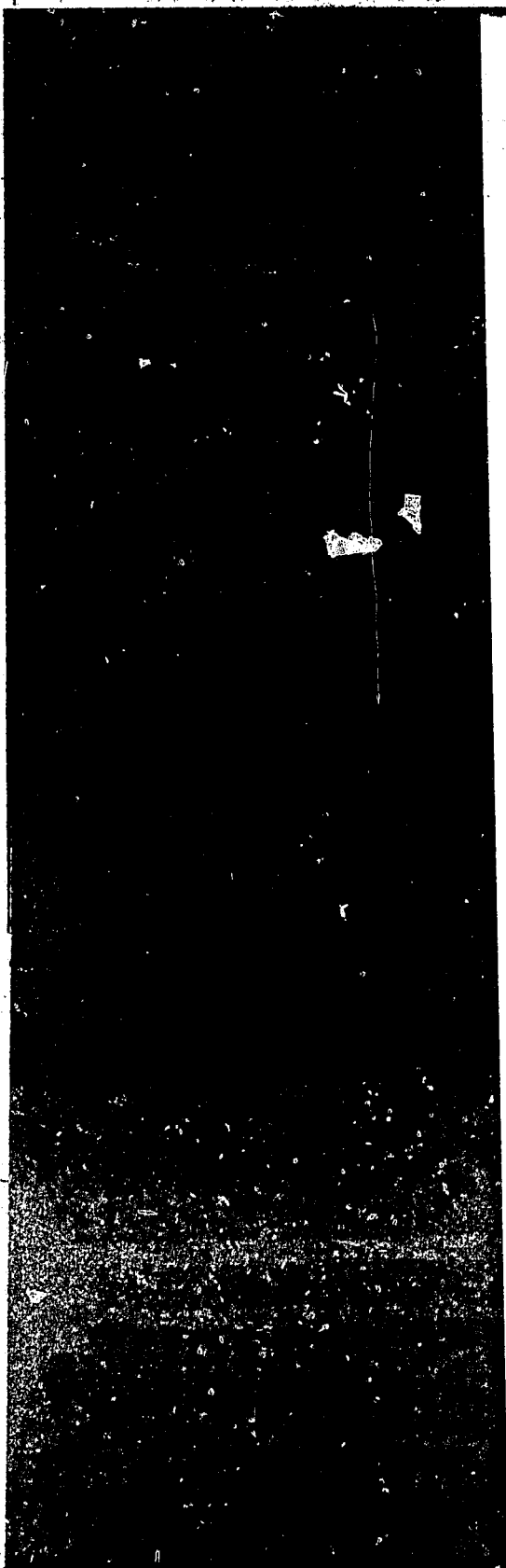
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5) Situation in Syria and Jordan



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staying too long. The muezzin has already called to prayer.

HIS MAJESTY: Your Excellency will need to see Prince Faisal about the other subjects, and I leave it for you to arrange a meeting. I would like to conclude by saying that I am always glad to exchange views with your Government and to cooperate with the United States in matters affecting our common interests.

AMBASSADOR: Thank you again. I ventured to suggest I might take my leave now, rather than to disturb Your Majesty again tomorrow. I would like to return to Dhahran with Mr. Davies and Mr. Ohliger in their airplane. Our Governments are quite poor these days!

HIS MAJESTY: I will provide a plane, if need be.

AMBASSADOR: If it is agreeable to Your Majesty, I would like to send my telegrams tomorrow night from Dhahran.

1) President Eisenhower's Message of November 16 (continued)

HIS MAJESTY: There is one more point. Do you think I should answer the President's message now?

AMBASSADOR: Your Majesty has given me most helpful comments regarding my President's letter. Your Majesty's reply would depend, I should think, upon what happens during the next week or two. I would venture to suggest that Your Majesty think over these developments as they arise. Your Majesty's reply might be more effective were it to come at a later time.

HIS MAJESTY: I would especially wish him to know that, with regard to my meeting with him, I would indeed like to discuss the overall common interests of our two Governments and world problems in general.

AMBASSADOR: This is what Prince Faisal and all of us have long hoped would take place.

Note: Here the audience ended.

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AUDIENCE WITH H.H. PRINCE FAISAL AT HIS HOME IN RIYADH
NOVEMBER 24, 1956 (4:30 p.m. - 6:15 p.m.)

PARTICIPANTS: H.H. Prince Faisal
Ambassador Wadsworth
Khalid Bey, Royal Counselor

INTERPRETER: Mohamed Massoud, Embassy Arab Consultant

RECORDER: Vice Consul James Farrell

After compliments:

AMBASSADOR: I had a good talk this morning with Prince Mishaal, Shaikh Mohamed and Khalid Bey, during which we made excellent progress toward an understanding of our mutual problems. Perhaps Khalid would later be so good as to tell Your Highness about our discussion.

Now I have two new telegrams from Washington which were just brought to me from Dhahran, where they were received last night. I want especially to speak of them to Your Highness; and, if Your Highness sees fit, I hope you will find early occasion to tell His Majesty about them.

The first telegram offers assurance that the United States will continue its efforts to prevent any new outbreaks of violence in the Near East and expresses my Government's confidence that Saudi Arabia will use its influence to check any recurrence of border incidents. The second concerns the deteriorating situation in Jordan.

FAISAL: The second message seems to me more important than the first.

AMBASSADOR: My first telegram deals primarily with the situation in Syria; my Government informs me that we are watching it very closely, but that we have no information which would substantiate the report from the Government of Syria of concentrations of Israeli troops near the Syrian and Jordan borders.

FAISAL: The radio has broadcast essentially the same thing regarding the Syrian claim.

AMBASSADOR: I thought Your Highness might be interested to know that we are watching Syria very carefully.

FAISAL: Since the outbreak of hostilities in Egypt, everybody is suspicious of every move.

AMBASSADOR: Our good friend Mohamed furnished a good example of this suspicion as we were driving to Your Highness' home this afternoon. He argued, quite illogically, that the fact that we do not know what is happening in Syria would tend to prove that it is happening!

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AMBASSADOR: To return to the telegrams. We say that our policy is to implement the decisions of the United Nations and to prevent any new outbreaks of violence in the Near East. The first telegram indicates that the entire situation in Syria is very tense. Washington feels we should all cooperate to prevent any incidents at this particular time, especially border incidents.

We have said this to Israel in very strong terms, and if Your Highness should find occasion to discuss this subject with the Syrians, you might impress upon them that this is no time for border incidents of any kind by fedayeen or others. Of course this is only a suggestion.

My second telegram ends with a request for His Majesty's advice. It begins by saying that the Jordanian Chamber of Deputies voted unanimously on November 20 to recommend the establishment of diplomatic relations with the Soviet Union and Communist China, and the abrogation of the British-Jordanian Treaty. I would emphasize to Your Highness that the vote was unanimous. This was something I had not realized.

The telegram continues by pointing out that although the Government of Jordan is not compelled to comply with this resolution, it is further evidence of the maneuvers being carried on in Jordan by the Soviet Union and Egypt.

Did or did not the Russians receive help from Egypt? This is one question in our minds.

The telegram continues with an expression of the apprehensions I conveyed to Khalid yesterday, when I voiced my fear that the Government will be under great pressure from the Chamber of Deputies and from the people, which it represents, to act on its resolution. I am afraid we may see a further disintegration of authority and further opportunities for Communist exploitation.

My Government then expresses its confidence that King Saud will share our apprehensions. [REDACTED]

b(1)
EB

We would appreciate His Majesty's views on how the subversive elements in Jordan may best be dealt with. There is a great deal of subversive propaganda in Jordan. My Government asks how we might help in countering that propaganda and preventing subversion. In substance, that is the question.

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KHALID: Your Excellency asked what the Saudi Government believes the United States should do.

AMBASSADOR: That is exactly the question. We would appreciate His Majesty's views on how the problem of subversion in Jordan can best be dealt with.

Here is a situation in which, to our genuine surprise, we find the Chamber of Deputies voting unanimously for the recognition of Russia and Communist China. There was not a single word of recognition for what the United States has done

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in the UN to ease and solve the Suez crisis. Petitions have come into the Jordanian Parliament urging the Government to break relations with Britain, France and the United States.

FAISAL: What! The United States?

AMBASSADOR: Yes. How could they do this?

In Amman on November 6 there was a secret cabinet meeting at which the Prime Minister gave the Cabinet a briefing. Immediately afterwards the Cabinet was given a vote of confidence in the Parliament, which then proceeded to pass the following resolutions:

- 1) That the Government send a telegram to the Parliament of Iraq urging its withdrawal from the Baghdad Pact;
- 2) That it send a telegram to Moscow thanking Russia for its "positive attitude" toward the Suez crisis;
- 3) Also a telegram to the British Parliament condemning British aggression; and finally
- 4) Telegrams to all the parliaments of the world asking them to condemn British and French aggression.

Not one single word for the United States! At the same time there were petitions circulating in Amman urging Jordan to break relations with Britain and the United States. Even some of our Point-4 employees signed these petitions. For the first time in history, too, Communist publications were printed by the Government press. Every editorial praised Russia. Not one had a good word for the United States. Here, for instance, is the concluding paragraph of the "al-Difai" editorial:

"America did not use the opportunities with which it was presented. How can it reach the hearts of the Arab millions? This cannot be done for years. No, America, we will not miss you when you depart. Your departure has become a necessity."

Since this editorial appeared the situation has been growing worse. On November 20, the Parliament voted unanimously to recommend a policy of working with Russia and excluding the West. I have never seen a situation in the Near East shift so rapidly as it has in Jordan.

I believe in everything Prince Faisal said in his philosophical analysis. In 1943 I had a very interesting talk with Tahsin Kadri. In Beirut and Damascus I was having a difficult time in developing confidence in President Roosevelt's policies. My Government supported Lebanese and Syrian independence. Did they believe me when I told them this? No.

I asked Tahsin, "Do you believe me?"

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He answered, "Of course."

"Then tell me," I said, "how I can get the Syrian Government to believe me."

"They never believe anybody," he replied.

"They have got to believe us," I said, and a year later they did.

That was the old diplomacy. In those days it was the duty of an ambassador to build confidence among governments. Today, as you say, we have got to make the people believe us. Call it propaganda if you like. Whatever its name, our problem is to make the people understand. An ambassador is confronted by tremendous difficulties. Because the people are ready to accept the dramatic impact of blatant propaganda, it is almost impossible to make them believe the simple truth.

I wonder if there is time today for us to reach the people.

Your Highness has given me an idea. The root of all our trouble in Jordan is Palestine. During the last four years we have seen in the United States the development of an impartial policy toward this issue. We have seen President Eisenhower's refusal to be rushed and maneuvered by any minority group.

Today Israel has committed a grievous error, and in so doing may have played into our hands. You suggest that only the voice of President Eisenhower can have an impact on the Jordanian people. You say that he must speak forcefully, without diplomatic niceties. Can you, Prince Faisal, conceive of his saying at a press conference,

"I want Israel to know that it will not keep the friendship of the United States unless it complies with the United Nations resolutions. I want the Arabs to know that I, the President of the United States, am going to continue to follow the policies laid down by the United Nations.

"Its resolutions voice my own policies. I believe they can best be worked out through the UN; but do not forget that they are also my own policies."

Is this the sort of thing you had in mind?

FAISAL: Yes, if President Eisenhower would also write a note to Ben Gurion.

AMBASSADOR: We've sent several very strong notes. But the problem is how to reach the people!

KHALID: We could add to the President's statement that the United States will stand against the aggressors.

AMBASSADOR: We have said that, too, many times. May I speak now, Your Highness, of His Majesty's telegram to King Hussein.

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AMBASSADOR (to Prince Faisal): Your Highness has given me a most interesting analysis of our problems. I must not stay longer, for we have already heard the call to sunset prayer.

Note: As the Ambassador took his departure, he handed Prince Faisal the aide memoire re self-determination of which they had spoken yesterday, and he arranged that Mohamed Effendi should handle certain other chancery matters with His Highness' diwan.

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From Dhahran

AUDIENCE WITH H. H. PRINCE MISHAAL AT HIS HOME IN RIYADH
NOVEMBER 24, 1956 (10:30 a.m. - 1:00 p.m.)

PARTICIPANTS: H. H. Prince Mishaal, Minister of Defense
Ambassador Wadsworth
H. E. Mohamed Surur, Minister of Finance
Khalid Bey, Royal Counselor.

INTERPRETER: Mohamed Massoud, Embassy Arab Consultant

RECORD: Vice Consul James Farrell

Following the exchange of greetings and comments by the Ambassador on the beauty of Prince Mishaal's garden, the Ambassador opened the substantive discussion:

AMBASSADOR: Khalid, you have been working very hard since I saw you last night (see the Ambassador's separate memorandum of his conversation with Khalid Bey during the evening of November 23, 1956). I will be interested to hear what you have learned from His Majesty since then.

KHALID: Your Excellency's inspiration and leadership have helped me greatly in my thinking on the subject of Saudi Arabia's military problems.

I have explained your views on this subject to His Majesty. Later I would like to repeat them for the benefit of Prince Mishaal and Shaikh Mohamed. But first His Majesty has ordered me to discuss our need for arms. I believe that the list (of emergency ammunition and training arms now desired by Prince Mishaal) was not included in the \$35 million order under discussion. [REDACTED] What I have in mind now is a different list.

[REDACTED] In this connection we must express our gratitude for Your Excellency's efforts to find a means of accommodating Saudi Arabia's needs to the procedures and regulations established by the United States Government. I have fully explained your good efforts to His Majesty.

Of course Your Excellency understands that [REDACTED] we would like to receive additional military aid. For your own part, Your Excellency has, in spite of all your efforts, been confronted with constitutional difficulties arising within the United States Government. As you know, the Saudi Arabian Government has been unable to meet all of your constitutional requirements, for our own position does not allow us to do so. (Note: A reference to SAG's unwillingness to sign an MDAP grant aid agreement.)

Your Excellency's past efforts in Turkey have given us an idea which we

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believe might be applicable today in Saudi Arabia. When you were American Ambassador to Turkey there was a period when, as a result of crop failures and other factors which led to a decline in revenue, the Turkish Government was faced by a military problem similar to ours today. Then you helped Turkey to strengthen its army by urging your Government to provide arms to Turkey without payment.

AMBASSADOR: May I interrupt Your Excellency a moment to explain that Turkey did in fact contribute some LT 500 million of its own funds, even though the crops had failed and the taxes could not be collected.

Today the oil revenues of Saudi Arabia are declining. But until we establish that it is in our common interests to change the present program, we should, I believe, continue this program in substantially its present form, i.e., hold it within the framework of the 5-Year Plan.

KHALID: Your Excellency wished to have certain figures from the Minister of Finance. We have brought him to this meeting in order that he may give them to you. After we have discussed the list of urgently required arms, Shaikh Mohamed will put these figures before you.

AMBASSADOR: In my discussion with you last night, Khalid, there were three points which emerged quite clearly.

The first and most important question seemed to be this: If my Government should today approve your purchase of the \$35 million worth of arms, would Shaikh Mohamed be able to find the \$35 million to pay for them?

SURUR: No, I do not have the money, but I could try to obtain a loan. We would like to find a way to avoid payment, or, at least, paying immediately.

AMBASSADOR: This would be a troublesome figure to add to your already troubled budget.

SURUR: That is true.

AMBASSADOR: I hope Shaikh Mohamed will later give me a broad indication of the state of his finances.

SURUR: For the moment let us talk about arms.

AMBASSADOR: The second point which emerged last night concerned the new list of arms which Prince Mishaal believes are required immediately. This includes the category of "training arms." Prince Mishaal will remember that I have always advocated that these and "training aids" be placed in separate categories by my Government.

A military training program must be re-assessed periodically to determine what new training arms are needed at each stage. I have therefore thought that we might make such a new list at once in the light of the situation created by the Middle East crisis.

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Parenthetically, in this latter connection, I gather that His Highness also wants some anti-aircraft guns, to make up for the 120 guns His Highness ordered from France but which France did not deliver.

Last night I also learned that there is a third item, i.e., ammunition, which is urgently needed because of the recent sabotage of the Al Kharj factory. I would like Prince Mishaal to consider these three together, if he will be good enough to do so.

But now let us turn to the third problem raised in my conversation with Khalid last night: Where might the United States be of more concrete assistance to the officer training program of Saudi Arabia at its present stage of military development? I would like to re-assess with you our efforts to determine in what areas the military training program could be of greater value.

A few weeks ago I had a visit from the Inspector General of the United States Army. Together we wrote a memorandum on MAAG's personnel needs which he subsequently passed to the office of the Joint Chiefs of Staff in Washington. I have a telegram which I received from him in Dhahran. It says our recommendations appear to be receiving favorable consideration.

Now it is a question of being a little more precise as to the tasks to be accomplished by the Military Assistance Advisory Group. I will mention only one. That one involves the question of service schools for the training of officers in the Army.

Prince Mishaal himself has spoken of this several times during the last few years. Meanwhile I have developed it. Now, if Prince Mishaal wishes, we can consider how it might be implemented as an emergency training need.

In Turkey we set up a complex of service schools of this type, subject directly to the General Staff of the Turkish Army. During my three years in Turkey some 30,000 men were trained in those schools which would, I hope, eventually include a general staff college.

If Prince Mishaal is interested in pursuing this problem, I believe that our military mission can help in establishing this complex of schools and in getting them under way.

These, then, are the three "emergency" problems--ammunition, training arms (including anti-aircraft guns) and army service schools--which emerged from my conversation with Khalid Bey yesterday evening. I should be glad if you would now take them up in any order you wish.

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AMBASSADOR: As I recall the recommendation was for a dual-purpose weapon.

MISHAAL: That is for the military people to consider.

The \$35 million arms order is to complete the equipping of our five existing regiments.

AMBASSADOR: Yes, as a means of implementing the Five-Year Plan under which the arms should have been here by now. Obviously, there is a shortage.

MISHAAL: Suppose we were to establish the schools you have mentioned. We would be glad to have them, but what would we use for training materials? Most of our training arms are already distributed among the army.

AMBASSADOR: The officer training schools I envisage would be above this level.

MISHAAL: We agree that this would be desirable.

Now I would like to recapitulate the list of our needs. It is in three parts dealing with (1) training aids, (2) anti-aircraft guns, and (3) urgently required ammunition.

AMBASSADOR: Let us bring Colonel Bothwell here today to assist in detailing them. He is now in Dhahran.

MISHAAL: I must emphasize the urgency of our need.

AMBASSADOR: I am glad that Your Highness has done so; and I shall be glad to present the matter to Washington in the light of what our officers will, I trust, be able to show are "emergency" needs.

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KHALID: I would like to have a record of this conversation.

AMBASSADOR: I shall be glad to have Mohamed arrange to provide you with an Arabic translation of Farrell's notes.

MISHAAL: I will ask Colonel Bothwell to come here from Dhahran.

KHALID: His Majesty says that Your Excellency will have to remain until Sunday.

AMBASSADOR: I will of course be delighted to remain, but I would like to talk with our colonels today. May we send a message asking Colonel Bothwell and Colonel Harding to join us as soon as possible?

SURUR: They can come from Dhahran with Mr. Davies, who is to fly here this afternoon.

MISHAAL: I will contact Colonel Mutlaq and ask him to inform Colonel Bothwell and Colonel Harding.

(Here the Ambassador drafted a telegram to Colonel Bothwell regarding Mr. Davies' flight from Dhahran to Riyadh. Mohamed Effendi arranged for it to be sent by messenger to Major Wechsler at the MAAG house for transmittal to Dhahran by radio.)

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Mishaal's home. The Ambassador suggested that 2:00 p.m. would be a good hour in order to allow a full morning of work.

Mohamed Surur then resumed the substantive discussion by introducing the subject of the Saudi budget.

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AMBASSADOR: Would you mind if I talk to Aramco regarding your figures on the estimated cut in your 1956 oil income?

SURUR: No objection.

AMBASSADOR: I have always made it a point to keep my functions as Ambassador entirely separate from the oil business.

What I do want to ask is: If you lose one third of your oil revenue--say 400 million riyals--where would the reduction hurt your country most? In what areas would the Government have to cut its expenditures?

SURUR: In view of the new and crucial demands on our national defenses, I certainly cannot reduce our expenditures on the Army. Of necessity our military expenses are now higher than ever.

AMBASSADOR: How much of the Army's budget was allocated for the purchase of equipment this year?

SURUR: About 126 million riyals. If your Government will help pay for this equipment, American aid could cut our deficit to the extent of this 126 million riyals.

It is equally certain that the salaries of Government employees cannot be reduced. The cost of living is rising, to a great extent as a result of the increased cost of imported goods.

Nor could I stop our public works projects, upon which many of our people depend for employment.

AMBASSADOR: I believe that Prince Mishaal could cut his expenditures only on the military purchasing side.

SURUR: That is true.

MISHAAL: In fact, more money is required today to purchase the same amount of equipment because of higher prices.

AMBASSADOR: This applies to the things you require for the ordinary upkeep of the army?

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AMBASSADOR: That is to say, it is an operating budget.

SURUR: I should explain that the budget for defense is divided into two parts, one for operations (administration) which is the Defense Ministry's budget proper, and the other for construction, which is included in the development program.

KHALID: The Ambassador has always wanted this information. I am glad that His Excellency has given him the budget figures, for he will thus realize that Saudi Arabia, rather than being an affluent nation, in fact is burdened with a deficit.

This morning we have presented the complete overall picture. The Government of the United States has undoubtedly heard reports that Saudi gold is being spread abroad. Where in this picture is there a place for such a thing? Your Excellency has been given the true facts and figures for the past three years.

SURUR: Everyone should know our budget.

AMBASSADOR: I have one more question. If you had to cancel all of your construction contracts, how much would the cancellations cost you?

SURUR: I can cancel no contracts. That would create chaos. I must find a way to meet these obligations.

AMBASSADOR: What is the total value of the construction contracts which you cannot cancel?

SURUR: It is less than 400 million riyals.

One further point. Your Excellency knows that our oil income consists both of royalties and the income tax paid us by the company. This year we will feel a reduction in royalties, but not in the company's income tax. There will be no reduction in the tax receipts for nine months, while the royalties will decline immediately.

AMBASSADOR: Yes, I know that except for the last three months of the year during which profits are earned, the balance is paid monthly during the ensuing year.

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SURUR: This means that we will not feel the impact of smaller tax receipts until after next August, which happens to coincide with the beginning of the next Saudi year. But a 50 per cent cut in our royalty payments will begin in December, which means that the estimated total reduction of 400 million riyals in our oil income will be distributed over two years, 1376 and 1377.

KHALID: I return to Your Excellency's question regarding the cancellation of contracts. If the contracts were canceled, Mohamed tells me it would cost us from 200 to 300 million riyals.

AMBASSADOR: Thus you would save very little money by cancelling the contracts. I agree that it would only create chaos.

SURUR: His Majesty has placed me at Your Excellency's disposal.

AMBASSADOR: Thank you very much. You have given me a great deal of valuable information. I am sorry to have kept you all so long.

KHALID: It has been a very helpful meeting to us all.

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